

BEFORE THE COMMISSIONER OF THE
SS. INDIANA DEPARTMENT OF INSURANCE

**IN RE PROPOSED ACQUISITION
OF CONTROL OF THE INSURER:**

INDIANAPOLIS LIFE INSURANCE COMPANY

BY THE APPLICANTS:

**AMERUS GROUP CO. and
ILICO HOLDINGS, INC.**

The proposed acquisition of control of Indianapolis Life Insurance Company (“Indianapolis Life”) by AmerUs Group Co. (“AmerUs”) and its wholly-owned subsidiary ILICO Holdings, Inc. (the “Holding Company”) (together, referred to as the “Companies”), came before Sally McCarty, Commissioner of the Indiana Department of Insurance (the “Commissioner”), at a public hearing on March 22, 2001, commencing at approximately 10:00 a.m., at the Hyatt Regency Indianapolis, One South Capitol Avenue, Indianapolis, Indiana (the “Hearing”).

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After considering the Form A Statement, the Exhibits as admitted at the Hearing, all the evidence and testimony presented at the Hearing, and being fully advised, the Commissioner hereby enters the following findings of fact and conclusions of law. Consistent with Indiana Code 27-1-23-2(j), this determination is being made within thirty (30) days after the conclusion of the Hearing.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Parties.

1. Indianapolis Life is an Indiana mutual life insurance company and is a “domestic insurer” as that term is defined in Indiana Code 27-1-23-1(g) and used in Indiana Code 27-1-23-

2. Indianapolis life provides, directly and through its principal operating subsidiaries,¹ various life insurance and annuity products, private label insurance products and insurance related services to individuals and businesses in all states and the District of Columbia.

2. AmerUs is a publicly held insurance holding company, with its principal place of business in Des Moines, Iowa. AmerUs provides, through its principal operating subsidiaries,² various life insurance and annuity products and insurance related services to individuals and businesses in all states except New York, and in the District of Columbia and the U.S. Virgin Islands.

¹ Indianapolis Life is the lead life insurance company with operating subsidiaries controlled through a direct subsidiary, Indianapolis Life Group of Companies, Inc. The operating subsidiaries are Western Security Life Insurance Company, Bankers Life Insurance Company of New York, IL Annuity and Insurance Company, and IL Securities, Inc.

² AmerUs’ principal operating subsidiaries are: AmerUs Life Insurance Company, American Investors Life Insurance Company, Inc., Financial Benefit Life Insurance Company, Delta Life and Annuity Company, and AmerUs Capital Management Group, Inc. American Investors, Financial Benefit and Delta Life are all focused on marketing fixed annuity products, and are domiciled in Kansas.

3. The Holding Company is an Indiana holding corporation specifically organized to own and control Indianapolis Life following the proposed conversion of Indianapolis Life into a stock company and the acquisition of control by AmerUs.

Procedural History

4. On November 27, 2000, the Companies duly filed with the Commissioner an application, together with exhibits thereto, with respect to the acquisition of control of Indianapolis Life (the "Form A"). Indianapolis Life received a copy of the Form A. The Form A was entered into the record as Exhibit 1.

5. Indianapolis Life and the Companies consented to the March 22, 2001 Hearing, and waived in writing their respective rights to receive thirty (30) days' prior written notice of the Hearing pursuant to Indiana Code. 27-1-23-2(g). The waiver of hearing notice executed by Indianapolis Life and the Companies was entered into the record as Exhibit 5.

6. Pursuant to Indiana Code 27-1-23-2(h), the Commissioner provided public notice of the Hearing by publication in the *Indianapolis Star*, a newspaper of general circulation in the City of Indianapolis, Indiana, on February 12, 2001. The hearing was held at the date, place, and time specified in the notice. (Exhibit 2).

7. The Commissioner convened the Hearing on March 22, 2001 and gave all parties present the opportunity to present evidence, to examine witnesses, or offer argument consistent with Indiana Code 27-1-23-2(j). Additionally, the Commissioner gave all persons attending the Hearing but not parties thereto, the opportunity to present public comment for the record. The Companies presented evidence and argument through counsel and through the testimony of Roger K. Brooks, Chairman, Chief Executive Officer and President of AmerUs and President of the Holding Company; DT Doan, a former director and executive of AmerUs who is now serving as a consultant to AmerUs; Michael G. Fraizer, Executive Vice President and Chief Financial

Officer of AmerUs, and Joseph K. Haggerty, Senior Vice President and General Counsel of AmerUs and Vice President of the Holding Company. Larry R. Prible, Chairman, President, and Chief Executive Officer of Indianapolis Life, presented evidence and testimony on behalf of Indianapolis Life with respect to the proposed transaction. No other persons attending the Hearing presented any testimony, evidence or public comment, and no objections to the Form A Statement or to any of the exhibits entered into the record (Exhibits 1 through 15) were made during the Hearing.

8. The record of this proceeding has been available for public inspection at all times at the Department during regular business hours since the filing of the Form A Statement on November 27, 2000.

The Proposed Transaction.

9. Indianapolis Life is a mutual life insurance company. Pursuant to a Combination Agreement between the Companies and Indianapolis Life dated February 18, 2000, as amended on September 18, 2000, the proposed transaction has involved and contemplates a series of related transactions. *First*, AmerUs made an initial \$100 million investment in Indianapolis Life Group of Companies ("IL Group"), an Indianapolis Life subsidiary, by purchasing 105.9627 shares of non-voting common stock of IL Group, equal to 45% of the equity interest of IL Group. *Second*, Indianapolis Life has proposed to convert from a mutual insurance company to a stock insurance company.³ Concurrently with Indianapolis Life's proposed demutualization, AmerUs will acquire 100 percent of the issued and outstanding shares of Indianapolis Life. In exchange for their membership interests in Indianapolis Life, Eligible Members of Indianapolis Life will receive AmerUs common stock, cash, and policy credits with an aggregate value equal

³ Indianapolis Life's application to demutualize pursuant to Indiana Code 27-15-1 *et seq.* came on for public hearing before the Commissioner on March 20, 2001.

to the value of 9.3 million shares of AmerUs common stock.⁴ At the same time, Indianapolis Life shall be merged with and into AmerUs' wholly-owned insurance company subsidiary, CLA Assurance Company, an Iowa insurance company, in a reverse subsidiary merger transaction. Finally, AmerUs will immediately contribute all the stock of Indianapolis Life to the Holding Company, thus becoming an indirect wholly-owned subsidiary of AmerUs.

10. The purpose of the transaction is to give AmerUs the opportunity to achieve operating efficiencies, reduce expenses in light of the significantly larger scale of the combined companies, and expand and diversify AmerUs' product lines and distribution channels with greater geographic reach. The financial strength of the combined companies would further enlarge the financial strength of Indianapolis Life and its subsidiaries.

11. AmerUs Capital Management Group, Inc. entered into investment management agreements with Indianapolis Life and its insurance subsidiaries that will survive the combination; AmerUs and Indianapolis Life entered into a services agreement for the "leasing" of Indianapolis Life employees in the interim period prior to consummation of the combination; and AmerUs and Indianapolis entered into a payroll services agreement to process Indianapolis Life's payroll in the interim period prior to consummation of the combination.

12. The combination must be approved by both the members of Indianapolis Life and the shareholders of AmerUs. Members of Indianapolis Life who were members on September 18, 2000 are entitled to vote on the Indianapolis Life plan of conversion at a special meeting on April 17, 2001. The shareholders of AmerUs who were shareholders on January 31, 2001 (the

⁴ The Combination Agreement was renegotiated to reduce policyholder consideration from an aggregate value equal to 11.25 million shares to 9.3 million shares of AmerUs common stock, based on Indianapolis Life's dramatically lower annuity sales and increased lapse activity, and increased demutualization transaction expenses.

record date) voted on the issuance of shares of AmerUs common stock to Indianapolis Life members at a special meeting on March 27, 2001.

13. The shares of AmerUs stock to be issued to eligible Indianapolis Life members have not been registered with the Securities and Exchange Commission. On January 30, 2001, AmerUs received from the Securities and Exchange Commission a no-action letter with respect to issuance of AmerUs shares to eligible Indianapolis Life members. (Exhibit 14).

14. Within twelve (12) months following consummation of the proposed combination, subject to applicable securities laws, AmerUs shall offer to all AmerUs shareholders, including shareholders who received AmerUs stock in exchange for their membership interests in Indianapolis Life, a commission-free program under which shareholders owning fewer than 100 shares will be entitled to either sell their shares, or purchase additional AmerUs shares to round up to 100 shares, without incurring any commissions, transaction costs, or fees over and above the actual market price per share of any stock being purchased. The commission free program will remain open for at least sixty (60) days, and AmerUs will bear the entire cost of the program, including all transaction fees and mailing costs. (See Exhibit 6).

15. AmerUs and the Holding Company intend to continue the Indianapolis Life brand and maintain the domicile of Indianapolis Life in Indiana, including its principal offices, as defined in Indiana Code 27-1-7-3, in Indianapolis, Indiana. They currently intend that Indianapolis Life will be operated substantially as at present and, generally, by present management. AmerUs does intend, however, to move the fixed annuity business of IL Annuity and Insurance Company, a wholly-owned subsidiary of IL Group, to Topeka, Kansas where AmerUs' primary annuity operations are based.

16. AmerUs has issued a written commitment to the Commissioner, which is made an exhibit to and part of the Form A Statement, that in its future operations following consummation of the proposed combination, Indianapolis Life shall maintain employment in the State of Indiana at or near historic levels, subject only to enterprise wide reductions contemplated by the transaction and future business conditions in the overall life insurance industry. AmerUs and the Holding Company further have committed to continue Indianapolis Life's prominent role in community involvement, including but not limited to maintaining Indianapolis Life's current sponsorships and corporate giving in amounts that meet or exceed current levels.

17. The transaction will result in certain changes in the composition of the boards of directors of AmerUs and Indianapolis Life. The AmerUs board will be expanded to include Larry Prible, chief executive officer of Indianapolis Life, as vice chairman, and Alecia DeCourdeaux and Andrew Paine, Jr. of Indianapolis Life, as additional AmerUs directors. Upon their election or appointment to the AmerUs board, Ms. DeCourdeaux and Mr. Paine will resign as directors of Indianapolis Life. Further, the Combination Agreement requires the Indianapolis Life board of directors to use its best efforts to appoint two directors designated by AmerUs.

18. Indianapolis Life and AmerUs each filed pre-merger notifications with the Federal Trade Commission and the Federal Department of Justice pursuant to the Hart-Scott-Rodino Antitrust Improvements Act with respect to the proposed combination. The 30-day waiting period applicable to such filings expired on July 6, 2000 without any challenges to the proposed transaction having been made.

Effect of the Proposed Transaction

19. AmerUs and the Holding Company's acquisition of control of Indianapolis Life will not tend to affect adversely the contractual obligations of Indianapolis Life or Indianapolis Life's ability and tendency to render service in the future to its policyholders and the public.

20. The effect of the acquisition of control of Indianapolis Life will not be to substantially lessen competition in any line of insurance business in any section of the State of Indiana or the United States, or tend to create a monopoly therein. The combined Indianapolis Life and AmerUs market share in any one line of business is below 2 percent; the acquisition of control is not subject to notification under Indiana Code 27-1-23-2.5.

21. The financial condition of AmerUs and the Holding Company is not such as might jeopardize the financial stability of Indianapolis Life or prejudice the interests of Indianapolis Life's policyholders.

22. Except as described in the Form A Statement and Hearing testimony, AmerUs has no current plans to cause Indianapolis Life to declare an extraordinary dividend, to liquidate Indianapolis Life, to sell its assets, or merge or consolidate Indianapolis Life with any entity, or to make any other material change in its investment policy, business, corporate structure or management. The changes proposed by AmerUs and the Holding Company with respect to the composition of the board of directors of Indianapolis Life, and the relocation of certain lines of Indianapolis Life's annuity business to Topeka, Kansas, are fair and reasonable.

23. The competence, experience, and integrity of the persons who intend to control the operation of Indianapolis Life after the acquisition of control by AmerUs and the Holding Company will not tend to affect adversely the general capacity or intention of Indianapolis Life to transact the business of insurance in a safe and prudent manner.

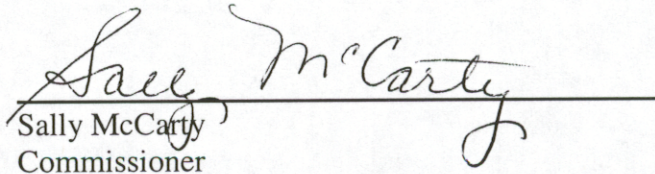
24. The application of AmerUs and the Holding Company for acquisition of control of Indianapolis Life is properly supported by the required documents and meets all the requirements of law for its approval.

ORDER

IT IS THEREFORE ORDERED that:

In accordance with the Findings of Fact and Conclusions of Law set forth herein, the proposed acquisition of control of Indianapolis Life Insurance Company by AmerUs Group Co. and ILICO Holdings, Inc., as described in the Form A Statement and supplemented at the Hearing and in the record, is hereby approved in all respects. This approval shall take effect on the date of this Order.

All of which is ORDERED on April 12, 2001


Sally McCarty
Commissioner
Indiana Department of Insurance